

NEBRASKA ADMINISTRATIVE CODE

TITLE 91, NEBRASKA ADMINISTRATIVE CODE, CHAPTER 1

BEGINNING FARMER BOARD

BEGINNING FARMER TAX CREDIT ACT REGULATIONS

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NEBRASKA ADMINISTRATIVE CODE

TITLE 91 - BEGINNING FARMER BOARD

Chapter 1 - BEGINNING FARMER TAX CREDIT ACT REGULATIONS

NUMERICAL TABLE OF CONTENTS

<u>SUBJECT</u> <u>SECTION</u>	<u>STATUTORY AUTHORITY</u>	CODE
Statement of Purpose	§§77-5201 to 77-5214	001
Administration	§§77-5201 to 77-5214	002
Definitions	§§77-5201 to 77-5214	003
Beginning Farmer or Livestock	§§77-5201 to 77-5214	004
Producer Qualifications		
Qualifications for the Owner of Agricultural Assets	§§77-5201 to 77-5214	005
Application Process for the Beginning Farmer or Livestock Producer and the Owner of Agricultural Assets	§§77-5201 to 77-5214	006
Application Process	§§77-5201 to 77-5214	007
Tax Credit Certification_____	§§77-5201 to 77-5214	008
Guidelines and Procedures Relating to Tax Credits	§§77-5201 to 77-5214	009

Financial Management Program Certification and Guidelines	§§77-5201 to 77-5214	010
Annotation	§§77-5201 to 77-5214	011

NEBRASKA ADMINISTRATIVE CODE

TITLE 91 - BEGINNING FARMER BOARD

Chapter 1 - BEGINNING FARMER TAX CREDIT ACT REGULATIONS

ALPHABETICAL TABLE OF CONTENTS

<u>SUBJECT</u>	<u>STATUTORY AUTHORITY</u>	CODE <u>SECT</u> <u>ION</u>
Administration	§§77-5201 to 77-5214	002
Annotation	§§77-5201 to 77-5214	011
Application Process	§§77-5201 to 77-5214	007
Application Process for the Beginning Farmer or Livestock Producer and the Owner of Agricultural Assets	§§77-5201 to 77-5214	006
Beginning Farmer or Livestock Producer Qualifications	§§77-5201 to 77-5214	004
Definitions	§§77-5201 to 77-5214	003
Financial Management Program Certification and Guidelines	§§77-5201 to 77-5214	010
Guidelines and Procedures Relating to Tax Credits	§§77-5201 to 77-5214	009
Qualifications for the Owner of Agricultural Assets	§§77-5201 to 77-5214	005
Statement of Purpose	§§77-5201 to 77-5214	001

NEBRASKA ADMINISTRATIVE CODE

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Chapter 1 - BEGINNING FARMER TAX CREDIT ACT REGULATIONS

001 Statement of Purpose. The purpose of these regulations is to aid in the administration of the Beginning Farmer Tax Credit Act, Neb. Rev. Stat. §§ 77-5201 to 77-5214.

002 Administration. These regulations will be administered by the Beginning Farmer Board. For administrative and budgetary purposes only, the Board will be housed within the Department of Agriculture's Beginning Farmer Program and located in the State Office Building, Fourth Floor, 301 Centennial Mall South, Lincoln, Nebraska. The mailing address is P.O. Box 94947, Lincoln, Nebraska 68509-4947. The telephone number is (402) 471-6890.

003 Definitions. In addition to the terms listed below, the definition of terms found in the Beginning Farmer Tax Credit Act will apply to such terms when found in these regulations.

003.01 ACT means the Beginning Farmer Tax Credit Act, Neb. Rev. Stat. §§77-5201 to 77-5214.

003.02 QUALIFIED BEGINNING FARMER OR LIVESTOCK PRODUCER means an individual (individuals) who is (are) a resident individual (individuals) as defined in subsection 003.04, who has entered farming or livestock production or is seeking entry into farming or livestock production, who intends to farm or raise crops or livestock on land located within the state borders of Nebraska, and who meets the eligibility guidelines in Section 004.

003.02A Eligible individuals may be members of a partnership, trust, corporation, or syndicate that is qualified to own agricultural land under

TITLE 91  
Chapter 1

Article XII, section 8, of the Constitution of Nebraska as long as all members of the partnership, trust, corporation, or syndicate individually meet the eligibility guidelines.

003.03 RELATIVE means an individual related by consanguinity (blood) within the third degree as determined by the common law, a spouse, or an individual related to a spouse within the third degree as so determined, and includes an individual in an adoptive relationship within the third degree.

003.03A The term RELATIVE shall apply to third degree relatives which include great grandparents, aunts and uncles, nieces and nephews, and great grandchildren.

003.03B The term RELATIVE shall not apply to fourth degree relatives which include great, great grandparents, great aunts and uncles, first cousins, grand nieces and nephews and great, great grand children.

003.04 RESIDENT OF THE STATE OF NEBRASKA means an individual (individuals) who is (are) domiciled in Nebraska or who maintains a permanent place of abode in this state and spends in the aggregate more than six months of the taxable year in this state as established in §77-2714.01(7).

003.05 TOTAL FAMILY means the beginning farmer or livestock producer and his or her spouse and dependents.

003.06 VIABLY SIZED FARM means a farm or livestock production facility that has the potential to provide an adequate source of income to support the beginning farmer or livestock producer.

004 Beginning Farmer or Livestock Producer Qualifications. A majority vote of the Board shall certify that the qualified beginning farmer or livestock producer has met the following criteria:

TITLE 91  
Chapter 1

004.01 Demonstrates a need for assistance by having a total family net worth at the time of application of not more than one hundred thousand dollars, based on fair market value as set forth in a net worth statement:

004.01A The beginning farmer's or livestock producer's total family assets, valued at their fair market value, less the beginning farmer's or livestock producer's total family indebtedness, will constitute as the net worth;

004.01B The current net worth statement must be signed and dated (within twelve months of the application date) by the beginning farmer and a lawyer, banker, loan officer, financial counselor, or an accountant, who gives his or her title and states in writing that the information provided on the statement appears to be accurate.

004.01C The Board has the authority to request an updated net worth statement.

004.02 Prior to the date of application, has operated a farm or produced livestock for less than ten years out of the past fifteen years;

004.03 Is a resident of Nebraska as defined in Neb. Rev. Stat. §77-2714.01, who intends to rent or lease agricultural assets eligible for the Beginning Farmer Tax Credit on land located within the state borders of Nebraska;

004.04 Provides the majority of the day-to-day physical labor and management of the farm or livestock production;

004.05 Demonstrates, by the judgement of the Board, an adequate farming or livestock production experience, including, but not limited to one or more of the following:

004.05A Growing up on or having been involved in the day-to-day operation of a farm or ranch; or

TITLE 91  
Chapter 1

004.05B Receiving an educational certificate or degree from a two or four year agriculture program; or

004.05C Having been employed by a farm or livestock business; or

004.05D Possessing other agricultural experience as explained on the application.

004.06 Demonstrates, by judgement of the Board, knowledge in the type of farming or livestock production for which he or she seeks assistance including, but not limited to work experience or education.

004.07 Demonstrates a profit potential shown by:

in 004.07A A current net worth statement as provided in subsection 004.01; and

004.07B A cash flow analysis with a positive outcome which includes all farm and off farm income and expenses including any rented ground, facilities, livestock or other assets under the tax credit act and family living expenses as referred to in §§77-5209(4).

004.07B(1) The cash flow analysis will be signed and dated (within twelve months of the application date) by the beginning farmer and a lawyer, banker, loan officer, or an accountant, who gives his or her title and states in writing that the information appears to be accurate; and

004.07B(2) The Board has the authority to request an updated cash flow analysis.

004.08 Participates in a financial management program approved by the Board as defined in section 010;

004.08A The beginning farmer or livestock producer will provide proof of completion of the financial management program; or



Title 91  
Chapter 1

004.08B The Board may grant a waiver if:

004.08B(1) The applicant shows he or she has recent equivalent education; or

004.08B(2) A financial management program is not available within one hour's driving time; or

004.08C A financial management program is not available before participation in the Act the applicant has registered and plans to attend the next financial management program. If the planned class is not completed within one year of the application date, the Board will reconsider the eligibility of the beginning farmer or livestock producer at the next scheduled Board meeting.

004.09 Submits, if applicable, a copy of the nutrient management plan and the soil conservation plan prepared for the Farm Service Agency or the Department of Environmental Quality. If neither of the plans above are available, a self written narrative that describes the applicant's nutrient management plan and soil conservation plan may be submitted.

004.10 The beginning farmer will not be a relative, as defined in subsection 003.03, of the owner of agricultural assets or the owner's partner, member, shareholder, or trustee in which the beginning farmer or livestock producer is seeking to enter into a rental agreement; and

004.11 A qualified beginning farmer or livestock producer who has participated in a Board approved and certified three-year rental agreement with an owner of agricultural assets shall not be eligible to file a subsequent application on that same asset with the Board.

He or she may refer to the Board for additional support and participate in programs, including educational and financial programs and seminars, established or recommended by the Board that are applicable to the

Title 91  
Chapter 1

continued success of such farmer or livestock producer.

004.12 The Board agrees not to discriminate against any applicant on the basis of race, color, religion, national origin, sex or disability.

005 Qualifications for the Owner of Agricultural Assets.  
Qualifications for the owner of agricultural assets for the Beginning Farmer Tax Credit Program are as follows:

005.01 If the owner of agricultural assets is an individual, he or she must:

005.01A Be a resident of the State of Nebraska;

005.01B Have derived at least fifty percent of his or her gross annual income for income tax purposes from farming or livestock production over a period of at least five out of the last fifteen years;

005.01C Have provided at least fifty percent of the day-to-day physical labor and management of a farm over a period of five out of the last fifteen years to qualify for the granting of tax credits by the Board.

005.02 If the owner of agricultural assets is a trust, the trustee must:

005.02A Be a resident of the State of Nebraska;

005.02B Have derived at least fifty percent of his or her income for income tax purposes from farming or livestock production over a period of at least five out of the last fifteen years; and

005.02C Have provided at least fifty percent of the day-to-day physical labor and management of a farm over a period at of least five out of the last fifteen years.

Title 91  
Chapter 1

005.03 If the owner of agricultural assets is a partnership, it must:

005.03A Have at least one general partner who is a resident of the State of Nebraska;

005.03B Derive at least fifty percent of its income from farming or livestock production over a period of at least five out of the last fifteen years; and

005.03C Have one or more partners who have provided at least fifty percent of the day-to-day physical labor and management of a farm over a period of at least five out of the last fifteen years to qualify for the granting of tax credits by the Board under the act.

005.04 If the owner of the agricultural assets is a corporation or syndicate, it must be qualified to own agricultural land under Article XII, Section 8, of the Constitution of Nebraska.

005.05 The Board agrees not to discriminate against any applicant on the basis of race, color, religion, national origin, sex or disability.

006 Application Process for the Beginning Farmer or Livestock Producer and the Owner of Agricultural Assets.

006.01 The beginning farmer and the owner of agricultural assets must complete a Nebraska Department of Agriculture Beginning Farmer Application Packet to show written proof of the above eligibility criteria to apply for a tax credit.

006.01A A Beginning Farmer Application Packet and process shall consist of:

006.01A(1) A Beginning Farmer application formsigned and dated prior to the end of the participating eligible agricultural asset owner's tax year.

Title 91  
Chapter 1

006.01A(2) A current (dated within twelve months of the application date) cash flow analysis as stated in part 004.07;

006.01A(3) A nutrient management plan and a soil conservation plan as stated in subsection 004.09;

006.01A(4) A current net worth statement (dated within twelve months of application) as described in subsection 004.01;

006.01A(5) A copy of the three year rental agreement signed by the beginning owner of agricultural assets which states in writing the method of rent payment;

006.01A(5)(a) For cash rent, a statement of the cash rents to be paid each year for three years; or

006.01A(5)(b) For share rentals, a joint agreement which records the method of determining a fair and reasonable cash equivalent of the dollar amounts of the owner's portion of the share rental agreement as stated in part 008.02B(2) to be paid each year for three years;

006.01B The Owner of Agricultural Assets Packet and process shall consist of:

006.01B(1) An Owner of Agricultural Assets application form dated prior to the end of his or her tax year;

006.01B(2) A copy of the three year rental agreement signed by the beginning farmer and the owner of agricultural assets which states in writing the method of rent payment;

Title 91  
Chapter 1

006.01B(2)(a) For cash rent, a statement of the cash rents to be paid each year for three years; or

006.01B(2)(b) For share rentals, a joint agreement which records the method of determining a fair and reasonable cash equivalent of the dollar amounts of the owner's portion of the share rental agreement as stated in part 008.02B(2) to be paid each year for three years;

006.02 Prospective participants may apply to the Board on forms available at the Nebraska Department of Agriculture, P.O. Box 94947, 301 Centennial Mall, South - 4<sup>th</sup> Floor, Lincoln, NE 68509-4947, on copies of the forms, or on forms found on the Department of Agriculture's home web page ([www.agr.state.ne.us](http://www.agr.state.ne.us)) in the subsection titled "Beginning Farmer Program"; and

006.03 The completed application forms as listed in subsection 006.01 may be submitted to the Beginning Farmer Program, Department of Agriculture, P.O. Box 94947, Lincoln, NE 68509-4947.

007 Application Process.

007.01 The staff of the Beginning Farmer Program will:

007.01A Review completed application packets as described in subsection 006.01;

007.01B Send a letter to the applicants to confirm that the application was complete or request additional information from the applicants to clarify or prove eligibility criteria.

007.02 The application packet will be submitted by the program staff to the Board for review at the next Board meeting.

007.03 The Board will review the application packets

Title 91  
Chapter 1

from the beginning farmer and the owner of agricultural assets to determine the eligibility criteria; and

007.03A The Board may request additional information from the applicants and delay making a determination of eligibility until the added information is reviewed at the next board meeting;

007.03B The Board will determine eligibility of the beginning farmer or livestock producer by a majority vote by the Board that states that the definition of the beginning farmer or livestock producer in subsection 003.02, the eligibility criteria in section 004 and the application packet and process in part 006.01A has been met and that he or she is qualified to participate in the Beginning Farmer Tax Credit Program;

007.03C The Board will determine eligibility of the owner of agricultural assets by a majority vote by Board that states that the definition of an owner of agricultural assets in section 77-5203 of the Beginning Farmer Tax Credit Act, the eligibility criteria in section 005 and the application application and process in part 006.01B has been met and that he or she is qualified to participate in the Beginning Farmer Tax Credit Program;

007.03D If the beginning farmer or livestock producer or the owner of agricultural assets application is denied, the Board will send a notice to the applicants by certified mail, which will include the reason for denial and describe the steps for appealing the decision;

007.03D(1) The applicants may request a "reconsideration" mediation with the Board at their next scheduled meeting; or

007.03D(2) The applicants may request an appeal following the mediation or chose to forgo the mediation step and go directly to appeal in

Title 91  
Chapter 1

accordance with the Administrative Procedure Act.

008 Tax Credit Certification.

008.01 Beginning January 1, 2001, a qualified owner of agricultural assets shall be allowed a refundable tax credit, under the Internal Revenue Code of 1986, as amended, to be applied against the state income tax liability of such owner for agricultural assets leased or rented to a qualified beginning farmer or livestock producer. The credit allowed shall be for—located in Nebraska;

008.02 The amount of annual tax credit for the owner of agricultural assets will be based on the rent received by the owner;

008.02A Such assets shall be rented or leased at prevailing community rates as agreed to by the beginning farmer or livestock producer and the owner of the agricultural assets;

008.02B The tax credit will be equal to five percent of;

008.02B(1) The annual gross cash rental income paid by the beginning farmer or livestock producer to the owner of said assets; or

008.02B(2) The approved cash equivalent of the annual share rental agreement as stated in a signed joint agreement, which records the method of determining a fair and reasonable cash equivalent of the dollar amounts of the owner's portion of the share rental agreement as stated in divisions 006.01A(5)(b) and 006.01B(2)(b) to be paid each year for three years.

008.02C If the Board does not approve the dollar amount as the cash equivalent of the share rental agreement, the beginning farmer and the owner of the agricultural assets may submit a new plan for approval or begin the appeal process in part 007.03D.

Title 91  
Chapter 1

008.03 The tax credit eligibility is reviewed and certified annually by the Board.

008.03A A tax credit certificate will be completed by the Board and given to the Nebraska Department of Revenue each year of the lease or rental agreement;

008.03B One copy of the certificate will be kept for the Beginning Farmer Program files, and two copies of the certificates will be mailed to the owner of the agricultural assets: one copy to be attached to his or her Nebraska income tax return and the other copy for their personal records;

008.03C The tax credit shall be granted by the Department of Revenue when the agricultural asset owner files their annual Nebraska income tax return;

008.03D A tax credit may be granted each year for a period of up to three years;

008.03D(1) Each agricultural asset will not be rented or leased by the beginning farmer or livestock producer as part of the Beginning Farmer Tax Credit Act more than three years, except as allowed in section 009;

008.03D(2) An owner of agricultural assets may receive a tax credit on more than one lease with different parties or with the same party during the same three year period;

008.03D(3) An agricultural asset may receive tax credits from one to three years while being owned by one owner except as allowed in subsection 009.02; and

008.03D(4) A qualified beginning farmer or livestock producer may be eligible to rent or lease more than one agricultural asset from one or more qualified owners of agricultural assets.



009 Guidelines and Procedures Relating to Tax Credits.

009.01 Quarterly, the Board will review the rental agreements between beginning farmers and owners of agricultural assets for tax credit certification;

009.02 Annually, during the last quarter before the end of the agricultural asset owner's tax year, the Board will certify or terminate by a majority vote, the tax credit eligibility as per sections 008 and 009 and subsection 004.11;

009.03 An owner of agricultural assets or qualified beginning farmer or livestock producer may terminate such agreement according to the terms of said contractual agreement or for reasonable cause. The agricultural owner's tax credit shall be affected as follows:

009.03A The owner of the agricultural asset shall not be eligible for further credits on that particular asset unless the rental agreement is terminated prior to the end of the three-year period through no fault of the owner of the agricultural asset;

009.03B If the Board finds that such a termination was not the fault of the owner of agricultural assets, they may approve the owner for credits arising from a subsequent qualifying rental agreement with a different qualified beginning farmer or livestock producer;

009.03C If an agreement is terminated without fault on the part of the owner of agricultural assets as determined by the Board, the tax credit shall not be retroactively disallowed;

009.03D If an agreement is terminated with fault on the part of the owner of agricultural assets as determined by the Board, any prior tax credits claimed by such owner shall be disallowed and

Title 91  
Chapter 1

recaptured and shall be immediately due and payable to the State of Nebraska;

009.03E If an agreement is terminated without fault on the part of the beginning farmer as determined by the Board, the beginning farmer who is eligible may rent or lease additional agricultural assets from the same or other eligible owner's of agricultural assets as part of the tax credit program; or

009.03F Should an agricultural asset be sold during the 3 year term, the new owner and the rental agreement must qualify under the act in order for the tax credit to apply;

009.04 The eligible rental agreements as stated in subpart 006.01A(5) and the positive cash flow analysis as stated in part 004.07B, will be reviewed by the Board to determine by a majority vote that the farm or facility meets the definition of a viably sized farm as stated in subsection 003.06. The farm or livestock facility may vary according to

Title 91  
Chapter 1

the region of the state where it is located; the quality, type, and number of crops or livestock produced; off farm income and expense; and other factors related to the farming or livestock production;

009.05 Allowable tax credit shall be distributed in the same manner as income is distributed to the partners, members, shareholders, or beneficiaries of a partnership, a corporation, a syndicate, or an estate or trust; and

009.06 If a dispute arises, the beginning farmer or livestock producer or the owner of the agricultural assets may voluntarily request mediation to determine a solution that is acceptable to both.

010 Financial Management Program Certification and Guidelines. Board approved financial management programs to be taken by the beginning farmer or livestock producer shall include the following:

010.01 Course work on the creation and proper use of record-keeping systems; periodic private consultations with financial management personnel; monthly and year-end cash flow analysis, detailed enterprise analysis, etc.;

010.02 Written proof of completion of the program or course; and

010.03 The financial management course work shall be paid for by the beginning farmer or livestock producer unless a waiver can be granted by the school or payment is received from another source.

011 Annotation. Neb. Rev. Stat. §§77-5201 to 77-5214 (1999 Laws of Nebraska, LB 623 and 2000 Laws of Nebraska, LB1223).